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THE DIRECTOR'S ROLE IN MEMBER RELATIONS OF A COOPERATIVE



EDUCATIONAL AID 6 | Farmer Cooperative Service | U.S. Department of Agriculture

FARMER COOPERATIVE SERVICE
U. S. DEPARTMENT OF AGRICULTURE
WASHINGTON, D. C. 20250

Joseph G. Knapp, Administrator

The Farmer Cooperative Service conducts research studies and service activities of assistance to farmers in connection with cooperatives engaged in marketing farm products, purchasing farm supplies, and supplying business services. The work of the Service relates to problems of management, organization, policies, financing, merchandising, product quality, costs, efficiency, and membership.

The Service publishes the results of such studies; confers and advises with officials of farmer cooperatives; and works with educational agencies, cooperatives, and others in the dissemination of information relating to cooperative principles and practices.

This educational aid is one of a series prepared for use by members of rural and farm organizations and for educational work with rural youth.

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A DIRECTOR'S PLEDGE

I pledge to do my best for the cooperative association that has elected me to serve in a position of honor and trust.

I WILL:

- Above all things be honest and diligent.
- Place the interests of the association above my own personal interests.
- Give as careful attention to the affairs of the cooperative as I give to my own business.
- Study the business and problems of the association, and the broader considerations that affect its welfare.
- Strive for continued and increased efficiency in the association.
- Be prompt and attentive at all meetings of the directors so that there is no loss of valuable time.
- Do independent and careful thinking, express my honest opinion, and not be a rubber stamp.
- Be open-minded and a teamworker and realize that the individual views of board members cannot always prevail.
- Remember that the majority rules and that the minority must fall in line. Present the views of the board of directors, rather than my own, to fellow members whenever I speak for the association.
- Strive to keep this a member's cooperative and not let it become a directors' or manager's cooperative.
- Represent the association in its entirety and not just the members from my community.
- Do all in my power to have the association controlled democratically, including the election of directors.
- Welcome new ideas or "new blood" as a means of keeping life in the association and the service to the patrons at a high level.
- Do everything possible to inform members and patrons of established policies and programs of the association.
- Be a good listener to the reactions of the members and patrons as a means of better shaping the policies of the association.
- Curb emotion and apply reason and common sense to all problems.
- Give the necessary time to board meetings and other deliberations.

I WILL NOT:

- Consider myself indispensable.
- Expect any special privileges from the association because I am a director.
- Become financially interested in any business or agency that has interests adverse to those of the association.
- Interfere with the management, but will limit myself to the formulation of business and management policies.
- Approve the employment of close relatives of directors and executives in the association.
- Discuss the affairs of the association with employees other than the management, unless delegated by the board of directors to do so.
- Carry grudges against the directors, the management, employees, members, or patrons.

W.H. Dankers, Professor of Extension, University of Minnesota

THE DIRECTOR'S ROLE IN MEMBER RELATIONS OF A COOPERATIVE

by Oscar R. LeBeau

and Owen K. Hallberg¹

For the next half hour or so we are going to discuss cooperative member relations as though they were the pet project of every cooperative director in the United States. While member relations concern everyone in a cooperative, the director's role is often under emphasized.

Consider the reservoir of manpower cooperatives have in their directors. The question is, are we using all their leadership and know-how?

Farmer Cooperative Service, U.S. Department of Agriculture, reports that about 9,000 farmers' marketing and purchasing associations currently do business in this country. If we assume the average number of directors per cooperative to be nine, that is 81,000 directors -- all potential member relations workers. This is especially important, since comparatively few cooperatives presently employ full-time member relations directors.

Now think about another question. Why is it that some cooperatives succeed while others fail? Why do some grow and prosper, while others shrivel and die?

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Studies indicate that successful cooperatives are backed up by good management, adequate financing, adequate patronage, loyal members, and satisfied employees.

Good member relation, employee relations, and public relations are frequently as important as the cooperative's financial statements. Certainly they have a direct bearing on members' patronage and the association's ultimate success.

It is fitting, therefore, that we consider the role of cooperative directors in building and maintaining good member relations. (Affix cutout 1)

MEMBER RELATIONS

Cutout 1

MEMBER RELATIONS DEFINED

What do we mean by member (or membership) relations? One of the definitions used often was given in the October 1954 issue of the NEWS FOR FARMER COOPERATIVES: "Membership relations are the relationships that bring about the necessary two-way flow of information and responsibilities between members and management of cooperatives."

Establishing and maintaining this flow in the best interests of the cooperative and its member patrons is the purpose of the member relations program.

THE THREE COMPONENTS

To better understand member relations, let us consider the three major components. These are:

1. The members, (Affix cutout 2)

MEMBERS

Cutout 2

2. The cooperative (Affix cutout 3), and

Cutout 3



3. The two-way flow of attitudes, information and responsibilities between these two. (Affix cutout 4)

Cutout 4



When using the term members, we have in mind not only the member producers (Affix cutout 5) but also members' wives (Affix cutout 6,) and the youth on our farms (Affix cutout 7)

Cutout 5



Cutout 6



Cutout 7

A primary principle of any cooperative business is that the members have a voice in its control through representatives they elect -- the directors. (Affix cutout 8) This is the policy-making body.

DIRECTORS

Cutout 8

The board of directors hires a well qualified, competent manager. (Affix cutout 9) This manager and his immediate assistants, or department heads, comprise the top management.

MANAGER

Cutout 9

Once this manager is chosen and the broad policies of the association have been defined, top management should have substantial freedom to do the best job possible. This includes employment and training of employees. (Affix cutout 10)

EMPLOYEES

Cutout 10

This combination of directors, manager(s) and employees represents the co-op in the eyes of the members. Good or bad, they are the image. This is the group that members all too often speak of as "they", when we would much prefer that they would say "we." (Affix cutout 10A)



Cutout 10A

DIRECTOR'S ROLE

Now to our main theme: "The director's role in member relations". (Affix cutout 11)

Cutout 11

DIRECTORS' ROLE

The directors of a cooperative have many important duties. Basic to all of them is the concept that the directors are the elected representatives of the members. All of the directors' duties and actions should reflect this relationship.

Establishing a democratic procedure whereby the most interested and best qualified members can be elected to the board of directors is one of the first steps in achieving and maintaining good member relations. A cooperative that fails to recognize this is almost certainly destined for membership difficulties.

Let's assume that this particular member has been newly elected by his fellow-members to a three-year term on the board. (Affix cutout 12)



Cutout 12

Immediately, he takes on additional stature. His shoulders are broader -- his eyes and ears more alert. Now he is the elected representative of his fellow members!

A lot will be expected of this director. As an individual, he must be an exemplary member for others. As a board member, he must work in a team and believe in majority rule. (Affix cutout 13)



A good director will never parade his authority outside of the boardroom. He and others on the board will act collectively around the director's table in official meetings.

D-I-R-E-C-T-O-R-S SERVICES

Let us now concentrate on the services directors can perform in improving member relations.

We have decided to use the letters in the word D-I-R-E-C-T-O-R-S as points of reference. (Affix cutouts 14, 15, 16)

These letters give a fairly good base from which to develop our thoughts on the director's role in member relations. Let us begin with one that costs the least and yet means so much in human relations -- diplomacy. (Affix cutout 17)

Cutout 18

DIPLOMACY

D-Diplomacy

"D" is for diplomacy. Directors should be diplomats. Cooperative directors need to be tactful with management, employees, and members. They need to be discreet in what they say and to whom they say it. They need to know when to talk and when not to.

In too many instances directors have been autocratic, arbitrary, and over-bearing. They overlook diplomacy in carrying on the affairs of the cooperative.

Theodore Roosevelt once said, "Speak softly but carry a big stick." This is an admonition that directors might heed in administering the affairs of the cooperative.

I-Inter-Cooperation

"I" is for inter-cooperation. (Affix cutout 18) Directors should be strong for inter-cooperation -- leaders in obtaining better coordination and rapport among cooperatives. They should be ready to join the efforts of others when it is appropriate.

Cutout 17

INTER-COOPERATION

One example of inter-cooperation is the American Institute of Cooperation which conducts educational work to

assist all farmer cooperatives. Another example of inter-cooperation is the National Council of Farmer Cooperatives which conducts legislative activities to benefit all farmer cooperatives. A third example is the Cooperative League of the USA which engages in educational and legislative activities to assist cooperatives in general. Still other examples are the State cooperative councils, which conduct educational, public relations, and legislative activities of concern to their member organizations.

Cooperatives should consider affiliating with other State, regional, and national groups that provide educational and legislative assistance. Many of these larger organizations are in favorable positions to offer managerial, editorial, accounting, auditing, and other much needed assistance.

Cooperative directors should evaluate the economy with which their association buys and sells. Would it be more economical if feed, fertilizer, and other farm supplies were purchased from a wholesale cooperative? Should the cooperative's commodity be marketed through jointly-owned facilities and firms? Or perhaps it is time the directors consider the pros and cons of a merger.

An outstanding example of what can be accomplished through inter-cooperation is the excellent working relationship developed between some farm supply cooperatives and production credit associations. This had its beginning when Farm Credit leaders discussed how production credit associations might work more effectively with farm supply cooperatives on seasonal financing for fertilizers, feeds, seeds, and other farm supplies.

The cooperatives had supplies to sell but had to advance credit to the farmers in order to make sales. The production credit associations had money to lend but needed help in contacting prospective borrowers. By diligent work both groups pooled their resources and know-how to serve farmers better. As a result of this effort, begun more than a decade ago, problems of cooperatives on accounts receivables have decreased, the volume of production credit loans expanded, and everyone is getting along better.

External relationships of cooperatives and inter-cooperation between cooperatives can only be effective if relationships within cooperatives are operating smoothly.

R-Rebmem (Member)

Cutout 19

REBMEM

"R" is for "rebmem." (Affix cutout 19). What in the world is that, you ask! "Rebmem" is member spelled backwards. This coined word illustrates that in too many instances, the member-director relationship in cooperatives is backwards. (Affix cutout 20)

Cutout 20

(MEMBER)

Most directors are especially aware of their director-to-member relationships. But how many directors really work at the equally important member-to-director relationships?

How many members know the director from their district? How many know to whom to go with a question or complaint?

Directors act as the sounding board between members and the cooperative throughout the year, hearing complaints and criticisms, and bringing in ideas and constructive suggestions from members. Members elect a director not only to run the business of the cooperative, but also to act as their intermediary and duly qualified representative.

In too many instances managers hear of dissatisfaction or unrest through idle gossip, rumors, or from employees. It is better when directors are close enough to their members to take soundings and report to management before a problem becomes acute.

Directors must be the "model citizens" of their associations. Genuine loyalty and enthusiasm from directors is bound to diffuse to members. Enthusiastic directors generate enthusiastic members.

How many directors take time to chat with their members about the cooperative? And when directors meet with members, how many remember that communication is a two-way street? Let's not do all the talking, but rather sit back and listen once in a while.

Directors should be enthusiastic salesmen who wholeheartedly believe in the cooperative way of doing business. Deep down they need a conviction that cooperatives offer farmers the best hope for improving net farm income.

Directors who ask for special deals, who "use" rather than "serve" their cooperative, are a detriment to member relations. Directors must be willing to work as a team, discuss differences and arrive at group decisions by majority vote. Once this is done they should submerge private opinions and abide by the will of the majority.

Bringing in the members' wives is also important to the member-director relationship. Directors often use a family approach in member relations, remembering that farming is predominantly a family enterprise which includes the wife and children.

Directors can enlist the interest and services of women in the cooperative's member relations program. As cooperative leaders, they should plan meetings, select committees and provide special features with some thought to the participation of members' wives.

The average director's wife may feel like a martyr when she ponders the time her husband spends at meetings, the evenings she must spend alone. Attending more meetings with her husband might be a solution.

Many directors fail to fully appreciate the intelligence and potential help of their wives to their cooperative job. Do we let our wives know what is going on and discuss our problems with them? In one instance a manager's wife judged the personality of her husband's business associate differently than he did. Guess who was right. His wife. Perhaps feminine judgment deserves more credit than we allow now.

Directors, willing to have their cooperative spend some time, effort, and money on women's programs, find that the

money comes back manyfold in volunteer services and improved public relations.

If cooperatives are to succeed and grow, they are going to need better-informed, better-educated, and more responsible members. Directors must be willing to shoulder responsibilities and lead the way.

E-Employees

Cutout 21

EMPLOYEES

"E" is for employee. (Affix cutout 21) The employees of our cooperatives are vitally important cogs in making our cooperatives tick. Andrew Carnegie, the great industrialist of a generation ago, once said, "If my steel mills, my equipment, and my capital were taken away, I could rebuild my industrial empire once more if I only had my key personnel"

Likewise, cooperative employees help build, and will continue to build, great cooperatives. Good pay helps to retain them, but more than a paycheck is needed for successful progress.

Employees can be developed into friendly salesmen. Satisfactory personal contacts are a cooperative's best asset. People prefer to do business with folks they like and who seem interested in them. The corporate image that they have of their cooperative depends on their impression of the manager, the truck driver, and other employees they deal with. This calls for a careful management and employee development program.

Employees are human beings. They want to be respected and admired, not only by their fellow employees, but by directors and members of the cooperative. We are not advocating a direct business relationship between directors and employees. The chain of command between management and employees must not be weakened. Directors, however, should be aware of who their employees are and not be aloof from this dedicated group.

Recently, while on a tour of a large corporate processing plant, employing several hundred persons, we were amazed that the chairman of the board could call out the first name of almost every employee we met, particularly the key employees. We asked this official about labor problems and grievances. He was quick to say that the esprit de corps of their employees was excellent and the working relationship good. His one-man campaign to know the employees probably had something to do with this good relationship. If such efforts were multiplied by a nine-man board of directors, imagine the progress achieved at little additional cost!

C-Community

COMMUNITY

Cutout 22

"C" is for community. (Affix cutout 22) Cooperative directors can help to cultivate friendly community relations. They ought to be on a first name basis with their local editor, their local extension leaders, and other prominent officials, and be ready to help in community projects and programs.

Cooperatives have come a long way as respected community businesses. But, have they come far enough? Could it be that some directors still think narrowly about their association's responsibilities to the community?

Sometimes cooperative managers are specifically ordered by their boards to stay out of school district affairs, city council activities, township matters, and so forth. This can be damaging.

We realize that cooperative leaders must tread a fine line in keeping their activities non-political. Still, our cooperatives have to grow up enough to permit employees and directors to accept a full community responsibility.

A discussion of community relations would be incomplete without reference to the community places of worship -- the symbol of man's desire to pursue the higher things in life.

They often provide meeting places and meal services for cooperative meetings. But a closer bond of understanding and cooperation often would be helpful. Rural clergymen in particular ought to be kept well-informed concerning cooperatives, their objectives and services. Many cooperative directors are members of religious groups. Within their own circles, they can often do much to bring about a better understanding of cooperatives and a wider use of the cooperative approach.

Cooperative directors can be important in carrying on good relationships with such community leaders as clergymen, county agents, agricultural teachers, school officials, soil conservation specialists, and chamber of commerce executives.

Through a planned program of community relations the image of cooperatives improves greatly. Here newspapers, radio, television, and other communication media are important. Cooperative directors can help in maintaining good relations with these media.

T-Teenagers

"T" is for teenagers. (Affix cutout 23) No cooperative can afford to neglect its young people, its potential leaders of the future. Directors should help see that their associations provide cooperative educational opportunities for teenagers. This includes working with youngsters from Cub Scout age to young adults. An interest in Boy Scouts, Girl Scouts, 4-H members, Future Farmers of America, Future Homemakers, Little League ball teams, and other youth groups, is healthy for the cooperative.

Cutout 23

TEEN-AGERS

Cooperatives should work with local school administrators, agricultural extension leaders, and others in supplying informational material, arranging study tours, and offering

other training. They can donate selected cooperative leaflets to public schools and 4-H clubs. They can explore the feasibility also of establishing junior directorships, to train cooperative leaders.

Rural young people need to be instructed in the three R's of cooperation described as:

1. Rights and benefits that are derived from belonging to a cooperative.
2. Responsibilities and duties that accompany membership.
3. Respect cooperative members should show to their association and their fellow members.

Cooperative education activities can help bridge the gap that sometimes separates youth from their elders. Cooperatives, acting as sponsors for the activities of youth organizations, generally find them rewarding.

Such sponsorships are an opportunity to tell the story of cooperatives to the youth leaders, who may become informed, enthusiastic future members. Encourage such activities rather than disparage them. When possible, directors should act as chaperones and otherwise work with youth in these projects.

Generally, the older experienced cooperative members are well informed about the value of farmer cooperation. They have furnished and are still furnishing one of the key elements of cooperative success--strong and loyal membership support.

However, many of our younger farmers do not always seem to understand the objectives and possibilities of cooperatives. Many do not fully appreciate the need of standing behind their cooperative when the going gets rough. This is particularly true of some of the 25 to 40-year-olds, who began farming on their own after World War II. There is an apparent lag in their education concerning cooperatives.

To bring them up to date on cooperatives and to insure sound leadership in the future years, directors need to support more adequate cooperative educational programs and take greater personal interest in rural young people.

Cutout 24

OTHER BUSINESSES

"O" is for other businesses. (Affix cutout 24) We have already talked about inter-cooperation and the community. But, what about good relations with other businesses? This, too, is a job for directors.

In their relations with other businessmen, cooperative directors should use every opportunity to emphasize three points: (1) Farmer cooperatives are good for the farmer and for the entire community; (2) farmers are not the only occupational group that uses cooperatives to obtain benefits and services; and (3) all businesses benefit from inter-cooperation.

By associating with other businessmen in the community, cooperative directors have many opportunities to improve member and public relations. If the business community at large thinks well of cooperatives, the good feeling will be transmitted to their customers and the general public. This will be reflected in improved member relations.

Cooperative directors patronize merchants, lawyers, builders, doctors, and dentists. How do these business and professional men feel towards cooperatives? Has their understanding been enlisted? Have their misunderstandings been corrected?

In the city of Eau Claire, Wisconsin, which has a farm supply cooperative, a petroleum cooperative, a breeders' cooperative, a dried milk products' cooperative, a consumers' cooperative, a rural electric cooperative, we found that the average businessman's understanding of cooperatives was almost nil. A number were antagonistic to cooperatives. Who is to blame? The managers, some will charge. But, if the 40 or so directors of these cooperatives had been telling their stories to business acquaintances and associates, more people would have been familiar with cooperatives and the services they render. Cooperative leaders of Eau Claire

subsequently formed a local association of cooperatives in order to do a more effective job of telling their story to the community.

R-Regionality

REGIONALITY

Cutout 25

Our second "R" is for "regionality" (Affix cutout 25). We have coined the word "regionality" here to indicate that directors need to think beyond their localities; they need to be imaginative and regional-minded in their approach to many cooperative matters.

In cooperatives, as with other businesses, a coordinated approach to buying, selling, and other services is desirable. A function of top management and the board of directors is to keep a weather eye for places where economies can be effected and needless duplication avoided. This points to the need for regional cooperatives one of the farmers' most effective economic tools to keep pace with the rest of the business world.

Cooperative directors can profit by studying the success of the Independent Grocers Association (IGA). This wholesale supply cooperative established by independent grocers has enabled the neighborhood grocery store to survive in face of stiff competition from giant chains. Farmers can take comfort from this example.

Leaders of local cooperatives face a tremendous task with the limited personnel and funds available to do the kind of cooperative education and membership relations work required today.

The associations most likely to succeed are those that join with neighboring cooperatives in their State or region to obtain the overall leadership and services needed. The small individual association that attempts to pursue a lonely, isolated course is destined to have tough sledding in the years ahead.

A major source of potential help to these local associations are the regional farmer cooperatives that operate in most areas. Many of these stand ready to offer special services to local associations through management contracts and other resources.

In a recent FCS study it was found that the best planned annual meeting programs, the best organized annual reports, the best membership publications, and the best financial statements were generally those of cooperatives having access to editorial, auditing, and other assistance available from a State or regional organization.

In a similar manner the local cooperatives most often using radio and television are those affiliated with some State or regional organization. The same applies to automatic data processing equipment for membership records, mailing lists, and other office services.

As desirable as regional cooperatives are, needless and costly competition between regionals serving the same territory should be viewed with a critical eye. For two or more regionals to use the same farmers' money to maintain overlapping services is hardly a sign of business efficiency. Neither does it create a friendly climate for inter-cooperation on such important matters as cooperative education, Federal and State legislation, and the development of good public relations.

S-Service Clubs

Cutout 26

SERVICE CLUBS

"S" is for service clubs. (Affix cutout 26) Somewhat akin to the groups already mentioned are local service clubs. Here we have a public relations opportunity that deserves special mention.

We mean the local Rotary, Kiwanis, Lion's, Exchange, Optimist, and other service clubs. These organizations pre-

sent a fine opportunity to tell the cooperative story. Appearing on their programs during cooperative month, or presenting a cooperative film to them occasionally, are good ideas.

Joining these organizations and participating actively in their activities is even better. Participating regularly can make other businessmen think more favorably of you and your cooperative.

Cooperative managers frequently do belong to one or more service clubs. But, if the cooperative is to be adequately represented, other top employees and directors should be encouraged to do the same. If each meets fifty members of a service club, and a good relationship is established, there will be fifty working with the cooperative rather than against it. This is definitely a plus on the public relations ledger.

DIRECTOR'S CHECK LIST

D	IPLOMACY
I	INTER-COOPERATION
R	MEM / (MEMBER)
E	MPLOYEES
C	MMUNITY
T	EEN-AGERS
O	OTHER BUSINESSES
R	EGIONALITY
S	ERVICE CLUBS

One final thought: Just as SERVICE is the worthy objective of practically all of these community groups, so SERVICE TO HIS COOPERATIVE AND TO THE MEMBERS WHOSE INTERESTS HE REPRESENTS should be the avowed goal of every dedicated cooperative director. This is a high calling!

SUMMARY

These are a few of the activities cooperative directors can pursue to improve cooperative relations. You will doubtlessly think of others that would be equally effective. The important things is that directors be aware of these needs and that more cooperative leaders be ready and willing to put their member relations knowledge to work.

In the words of J. Kenneth Stern, President, American Institute of Cooperation, remember that, "Every minute, every hour, every day, as you speak or write to patrons, associates, employees, buyers, suppliers and others concerning the business of your cooperative, you are influencing their attitude toward you, your organization, and cooperatives in general."

OTHER PUBLICATIONS AVAILABLE

Future Farmers and Co-ops, Educational Aid 4.

The American Private Enterprise System, Educational Aid 5.

The Story of Farmers' Cooperatives, Educational Circular 1.

Financing Farmer Cooperatives, Educational Circular 5.

Forming Farmer Cooperatives, Educational Circular 10.

Sizing Up Your Cooperative, Educational Circular 11.

Farmer Cooperatives in Our Community, Educational Circular 12, A. W. McKay.

Three Principles of Agricultural Cooperation, Educational Circular 13, W. W. Fetrow.

Managing Farmer Cooperatives, Educational Circular 17, Kelsey B. Gardner.

When Members Talk, News Reprint 200, Oscar R. LeBeau and J. C. Eiland.

Stepping Stones To Good Member Relations, Information 29, Luther E. Raper.

Making Member Relations Succeed, Information 32, Irwin W. Rust.

Membership Practices of Local Cooperatives, General Report 81. Oscar R. LeBeau.

A copy of each of these publications may be obtained upon request while a supply is available from --

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